

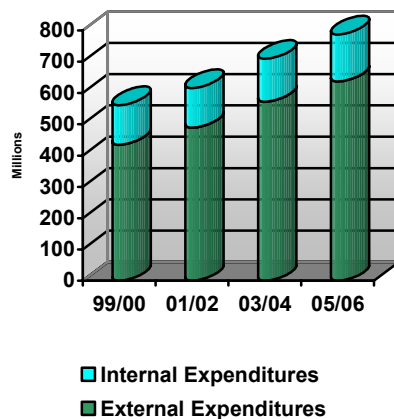
# Expenditure Analysis

This section of the budget reviews the County's major expenditure categories. The figures presented here are County-wide, meaning that they cut across all funds and departments. Effort has been made to ensure that the historical data shown are as comparable as possible.

## Historical Expenditure Analysis

While budgets traditionally focus on the period to come, it is important to place the current financial plan in the context of long-term trends. By analyzing trends over multiple years, it is possible to identify significant long-term changes that might not be apparent in any single year. The change in the County's expenditure levels from 1999/2000 through the 2005/2006 biennium are discussed in the following paragraphs.

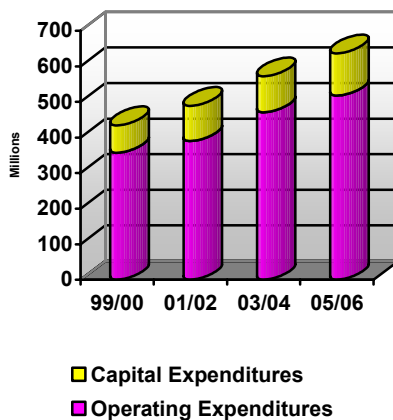
Clark County's expenditures, which totaled \$561.0 million in 1999/2000, are projected to increase to \$786.9 million in 2005/2006. This represents a total increase of 40 percent through 2006 or about 6 percent per year. Both external and internal expenditures have grown as displayed in the graph to the left. The following table summarizes the major expenditure categories for the last three biennia and for the upcoming biennial budget period.



8 Year Expenditure Summary (Millions)					
Exp. Category	99/00 Actual	01/02 Actual	03/04 Actual	05/06 Budget	Annual Growth
Salaries & Benefits	160.6	185.4	217.2	242.1	7.1%
Supplies & Services	167.7	177.4	205.3	236.6	5.9%
Debt Service	29.0	27.2	48.5	39.1	5.1%
Fixed Assets	77.1	98.9	101.0	118.7	7.5%
<b>External Expenditures</b>	<b>434.5</b>	<b>488.9</b>	<b>572.0</b>	<b>636.5</b>	<b>6.6%</b>
<b>Internal Expenditures</b>	<b>126.5</b>	<b>127.0</b>	<b>137.0</b>	<b>150.4</b>	<b>2.9%</b>
<b>Total Expenditures</b>	<b>561.0</b>	<b>615.9</b>	<b>709.0</b>	<b>786.9</b>	<b>5.8%</b>

**External expenditures** represent a use of cash by the County. They are payments to entities outside the County such as private sector vendors, suppliers, employees, and other governments. These cash expenditures have grown from \$434.5 million in 1999/2000 to \$636.5 million in 2005/2006. This is a 46.5 percent increase over this period, or an annual growth rate of about 6.6 percent per year.

External expenditures are comprised of two primary components, capital expenditures and operating expenditures. Cash operating expenditures, displayed as the lower portion of the graph to the left, have grown from \$357 million in 1999/2000, to \$518 million in 2003/2004, an average annual increase of 6.4 percent.



**Internal expenditures** occur when funds are transferred between Clark County entities or when one department "buys" internal services from another. No cash is expended by the County as a whole, instead, money only moves between County departments. These transactions allow departments to track costs when internal service providers are used. An example may help illustrate:

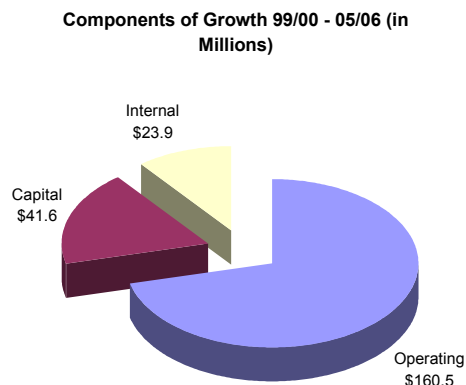
*When Public Works (PW) "buys" \$5,000 worth of legal services from the Prosecuting Attorney's (PA) Office, it "spends" \$5,000 and records an internal service transfer. The County as a whole did not spend cash, but,*

*moved it from PW (Road Fund) to the PA (General Fund). The cash expenditure only occurs when the PA spends the \$5,000 on attorney payroll, office supplies, etc.*

This internal expenditure “system” gives departments the ability to track the cost of using internal service providers, and encourages internal services providers to remain competitive with outside service providers. In the example above, the PA would include \$5,000 in its budget for salaries, benefits and supplies necessary to provide legal services to PW. PW would also budget \$5,000 for legal professional services. Consequently, a total of \$10,000 would appear in the budget, but, only \$5,000 of cash would leave the County.

Internal expenditures have the effect of artificially inflating the County’s budget when individual department budgets are aggregated. Continuing with the above example, the PW budget would include \$5,000 for legal services. The PA would also include \$5,000 in its budget for salaries, benefits and supplies necessary to provide legal services to PW. A total of \$10,000 would appear in the budget however, the County would spend only \$5,000 in cash.

Internal expenditures have increased an average of 2.9 percent per year over the last six years and account for 19 percent of the 2005/2006 budget. As a significant portion of the overall budget, it has become increasingly important to isolate cash expenditures from non-cash expenditures when viewing the County budget as a whole. The County has modified its financial systems and account codes to simplify the process of separating these expenditures and has reduced the overall growth of internal expenditures since 1999/2000 by consolidating departments.



Change in Major Expenditure Types (millions)				
Type of Expenditure	99/00 Actual	05/06 Budget	Change	Avg. Growth Rate per Year
Operating Expenditures (Cash)	357.3	517.8	160.5	6.4%
Capital Expenditures (Cash)	77.1	118.7	41.6	7.5%
Internal Expenditures (Non-Cash)	126.5	150.4	23.9	2.9%
<b>Total Expenditures</b>	<b>561.0</b>	<b>786.9</b>	<b>225.9</b>	<b>5.8%</b>

## Components of Expenditure Growth

The pie chart to the left and table above show the major components of the \$226 million budget increase from 99/00 to 05/06. Most of the expenditure growth occurred in operating expenditures. Within each expenditure type there are one or more expenditure categories. Each expenditure category and its annual rate of growth are discussed below.

### Operating Expenditure Increase from 99/00 to 05/06

**Operating expenditures** include salaries & benefits, supplies & services, and debt service payments. These ongoing expenditures are necessary to support the full range of County functions and operations. Detailed information on staffing increases can be found in the Staffing Analysis contained toward the end of the Financial Section.

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**Salaries & Benefits Increase  
99/00 to 05/06**

Health Department.....	18.4 million
Sheriff's Office & Jail.....	9.7 million
Planning.....	8.3 million
Public Works.....	5.1 million
Community Services.....	5.0 million
Juvenile.....	4.6 million
Information Services.....	4.3 million
Prosecuting Attorney.....	3.3 million
Other Areas.....	22.8 million
<b>Total Payroll Increase.....</b>	<b>81.5 million</b>

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**Supplies & Services Increase**

Community Services.....	28.1 million
Health Department.....	12.5 million
Equipment Rental.....	8.1 million
Sheriff's Office.....	6.8 million
Facilities Management.....	4.2 million
Other Areas.....	9.2 million
<b>Total Supplies and Services.....</b>	<b>68.9 million</b>

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**Salaries and Benefits (Payroll) Increase**

Total Six Year Increase.....	\$81.5 million
Total Growth (99/00-05/06).....	50.7 percent
Avg. Annual Growth Rate.....	7.1 percent

Two factors have contributed to the rise in payroll expenditures: a larger workforce, and a higher cost per employee. The County added 273 full-time equivalent (FTE) positions from 2000 to 2006. This represents an increase of about 2.9 percent per year, which approximates the County's population growth rate of 3.0 percent per year over the same period. These new positions cost about \$38.4 million in 2005/2006 dollars and account for 47 percent of the total payroll increase since 2000. Approximately 53 percent of these positions were added in 03/04 when the Health Department became a direct county function.

The remaining \$43.1 million, or 53 percent, of the total payroll increase is attributable to the increase in the average cost of County employees. In 2000, the County spent an annual average of \$45,000 in salary and \$10,500 in benefits for each FTE. In 2006, the average cost will be about \$51,200 in salary and \$19,200 in benefits. The increase is equivalent to a 4.0 percent salary/benefit increase each year.

Factors which influence the County's cost per employee include: cost-of-living increases established through County labor negotiations, mandated increases in FICA and Washington State's retirement system contributions, market driven benefit cost increases, and elected official salary increases which are determined by State statute.

**Supplies & Services Increase**

Total Six Year Increase.....	\$68.9 million
Total Growth (99/00-05/06).....	41.1 percent
Avg. Annual Growth Rate.....	5.9 percent

Until recently, supply & service expenditures have surpassed payroll as the largest expenditure growth component. With the passage of several Statewide initiatives and referendum, the rise is half of what it used to be over a rolling six year period. However, this category continues to see increases.

The table at left summarizes the major areas of increase. Departments that have experienced rapid spending growth in this category include the following:

- **Community Services (\$28.1 million):** This increase represents growth in grant funded social service programs providing services to the mentally ill, the developmentally disabled, substance abusers, and other disadvantaged citizens. In most cases, the County contracts with private-sector agencies to provide these services. These expenditures are budgeted as professional services costs.
- **Health Department (\$12.5 million):** In 2003/2004 the County formally assumed the direct responsibility of the Health Department. Formally, the department was a separate entity governed by a separate board but represented by County Commissioners.
- **Equipment Rental & Revolving (\$8.1 million):** ER&R is responsible for the management and maintenance of the County's fleet of vehicles and equipment. The budget increases represent increased equipment and vehicle costs.

- **Sheriff's Office (\$6.8 million):** The Sheriff's Office consists of two main sections. The first is enforcement and the second is the county jail. The county added a jail work center for low risk offenders. This added to the ongoing supplies and services beginning in 1999.
- **Facilities Management (\$4.2 million):** Facilities Management is responsible for the maintenance and operational costs of county owned buildings. The increase in the service budget reflects the costs associated with recent development of County buildings including the Public Service Center which opened in 2002.
- **Other Areas (\$9.2 million):** The remaining \$9.2 million increase in supply and service costs is spread widely across the County. A portion of this amount reflects normal inflation in service costs over the six-year period.

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#### **Debt Service Increase**

Interest Payments ..... 4.0 million  
 Principal Payments..... 6.1 million  
**Total Debt Service**  
**Increase ..... 10.1 million**

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#### **Debt Service Increase**

Total Six Year Increase..... \$10.1 million  
 Total Growth (99/00-05/06)..... 34.9 percent  
 Avg. Annual Growth Rate . . . . . 5.1 percent

Debt service expenditures have grown by \$10.1 million since 99/00. Lower interest rates have benefited the County in this area through refinancing and have lessened the impact of a rise in General Obligation and other debt. The county added debt over this period for an Exhibition Hall, VHA low income housing, Public Service Center, Center for Community Health, and other property acquisitions.

#### **Capital Expenditure Increase from 99/00 to 05/06:**

**Capital expenditures** are typically for the purchase of fixed asset and transportation improvement projects. These large and unevenly timed costs are generally budgeted and tracked in a capital type fund.

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#### **Capital Expenditures**

Sewer Plant Expansion ..... 36.6 million  
 Center for Comm. Health..... 25.0 million  
 Open Space ..... 4.9 million  
 Elections/CATS Replace ..... 3.8 million  
 Projects - Completed..... (36.4) million  
 Other Areas..... 7.7 million  
**Total Capital Expenditure**  
**Increase ..... 41.6 million**

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#### **Capital Expenditure Increase**

Total Six Year Increase . . . . . \$41.6 million  
 Total Growth (99/00-05/06)..... 53.9 percent  
 Avg. Biennial Growth Rate..... 7.5 percent

A major factor in the increase of the County budget from 99/00 through 05/06 has been the aggressive capital spending program to meet growing demands on building and infrastructure. While several projects were completed during this six-year period, the expansion of the county's sewer treatment plant and completion of the Center for Community Health mark two large projects during 2005/2006. Completed projects include the Public Service Center, Jail Work Center, and Juvenile Expansion. In addition, after record spending levels for new roads, this program is leveling off. Additional information on capital spending and a list of individual capital projects is contained in the Capital Section.

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#### **Internal Expenditure Increase from 99/00 to 05/06:**

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Internal expenditures are non-cash transactions because no cash enters or leaves the County as a whole. They are necessary to track the movement of money between the County's 107 separate accounting entities.

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**Internal Transactions**

*Transfer between funds ..... 7.7 million*

*Inter-fund Payments..... 16.1 million*

**Total Internal Transaction  
Increase ..... 23.8 million**

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**Internal Transaction Increase**

Total 6 Year Increase ..... \$23.8 million

Total Growth (99/00-05/06)..... 18.9 percent

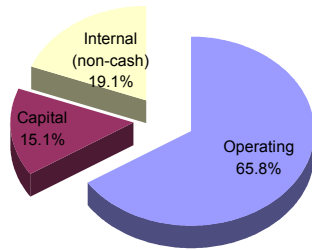
Avg. Annual Growth Rate ..... 2.9 percent

The overall increase in internal transfers represents the expansion of county facilities and associated maintenance costs on those facilities combined with departments responsible for paying those costs through internal transactions. Other contributing factors include the increase in sales tax and transfer to supported departments and the inclusion of the Health Department as part of the county budget.

Major internal service providers include: Equipment Services, Emergency Services, Central Support, and Major Maintenance.

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## The 2005/2006 Expenditure Budget

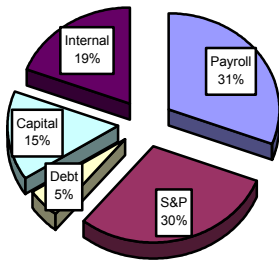


The 2005/2006 Adopted Budget contains \$786.9 million in total expenditures. As displayed in the graph to the left, the majority of these expenditures (\$636.5 or 80.1%) are external cash outlays for capital and operating purposes.

The three broad expenditure types described above can be further divided into expenditure categories. The second pie chart to the left shows the five expenditure categories. The pie chart shows the categories as a percentage of budget and the table shows the dollar amount. The paragraphs below describe the categories, discuss the major components of spending in each and outline any major policy issues.

### Operating Expenditure Categories

#### **Payroll (Salaries & Benefits)**



Payroll costs, including overtime compensation, represent the largest expenditure category in the 2005/2006 budget. The County's payroll budget is driven by four major factors: 1) the number and types of staff employed by the County, 2) the County's salary structure, 3) the cost of living adjustments (COLAs) negotiated with collective bargaining units and 4) the cost of providing employee benefits.

1. A Staffing Analysis, which discusses the location and number of funded staff positions, is presented later in the Financial Section.
2. The County's salary structure, which defines personnel classifications and assigns them to salary ranges, is developed and maintained on the basis of ongoing surveys of comparable employers in both public and private sectors.
3. The third major factor driving the County's payroll budget is the annual cost of living adjustment (COLA). This is determined through the process of negotiating the County's various labor agreements, generally every three years. The County's current agreements cover various periods depending on individual guild contracts. The assumption for contracts negotiated in this budget period is that COLA will be held to less than 2%. Contracts expiring during the budget period do not have full COLA's loaded. These adjustments have been estimated and included in separate contingency accounts pending final negotiations.
4. The last factor is the cost of benefits. Benefits make up about 27% of total payroll costs. Mandated benefits make up about 9.6% of the total payroll costs. Mandated benefits include social security and medicare, contributions to the state retirement system, unemployment insurance, and workers' compensation insurance. The remaining benefits, like medical and dental insurance, long-term disability and life insurance are about 17.4% of total payroll. These costs are determined, in part, through labor negotiations and market forces.

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### **2005/2006 Expenditures by Major Category**

#### **External Expenditures**

Payroll .....242.1 million  
Supplies & Services .....236.6 million  
Debt Service.....39.1 million  
Fixed Assets .....118.7 million

#### **Total External**

**Expenditures ..... 636.5 million**

#### **Internal Expenditures**

Transfers & Internally  
Provided Services .....150.4 million

**Total Budget ..... 786.9 million**

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#### **Supplies & Services (External Only)**

The supplies and services budget represents the second largest expenditure category at \$236.6 million. The supplies budget of \$32.4 million is distributed to all departments. Supplies include fuel for patrol and maintenance vehicles, computer hardware under \$5,000, asphalt and aggregate for roads, and a wide

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## **Supply & Service Expenditures**

<i>Community Services</i> .....	<i>79.9 million</i>
<i>Public Works</i> .....	<i>14.8 million</i>
<i>Parks</i> .....	<i>12.4 million</i>
<i>Health Dept.</i> .....	<i>11.7 million</i>
<i>Sheriff's Office &amp; Jail</i> .....	<i>10.7 million</i>
<i>Indigent Defense</i> .....	<i>8.0 million</i>
<i>Facilities</i> .....	<i>6.9 million</i>
<i>Other Departments</i> .....	<i>59.8 million</i>
<b>Total Services</b> .....	<b>204.2 million</b>

*Total Supplies* .....

### **Total Supplies**

**& Services** ..... **236.6 million**

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## **Fixed Assets**

<i>Sewer Treatment Plant</i> .....	<i>37.2 million</i>
<i>Public Works</i> .....	<i>29.1 million</i>
<i>Community Health Center</i> .....	<i>25.0 million</i>
<i>Technology</i> .....	<i>6.8 million</i>
<i>Equipment Services</i> .....	<i>5.4 million</i>

*Other Areas* .....

### **Total Fixed Asset**

**Expenditures** ..... **118.7 million**

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## **Internal Expenditures**

### **Internal Services and Transfers**

<i>Debt Service transfers</i> .....	<i>28.7 million</i>
<i>General Fund Subsidies</i> .....	<i>25.2 million</i>
<i>Public Works inter-fund</i> .....	<i>20.0 million</i>
<i>Sales Tax transfers</i> .....	<i>14.6 million</i>
<i>Sewer Fund inter-fund</i> .....	<i>9.6 million</i>
<i>Real Estate Excise Tax</i> .....	<i>6.1 million</i>
<i>Other Internal Exp.</i> .....	<i>46.1 million</i>

### **Total Internal**

**Expenditures** ..... **150.4 million**

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variety of office supplies. Service expenditures make up the bulk of the category at \$204.2 million. Services include an extremely wide variety of expenditures, ranging from rented office space and telephone charges, to professional consulting and expert legal expenses. The majority of service expenditures; however, support transportation infrastructure and human services programs. The table at left displays the seven largest service budgets.

Intergovernmental Expenditures, a sub-category of services, represent payments from the County to other governmental entities or inter-local agencies. The majority of intergovernmental expenditures are for parks related activities. The County and City of Vancouver Parks departments consolidated into one regional Parks Department in 1997. All Park Impact Fees (PIFs) and park acquisition and planning expenditures are now transferred to the City of Vancouver in exchange for parks services.

## **Debt Service**

Approximately 5.0 percent of the budget, or \$39.1 million, is allocated for debt service payments (principal and interest) on the County's bonds, revenue bonds, Public Works Trust Fund (PWTF) loans, and other outstanding debt. More information regarding the County's debt structure appears in the Debt Summary located later in the Financial Section.

## **Fixed Assets Category**

The 2005/2006 budget includes \$118.7 million in capital expenditures. Overall, capital expenditures represent 15.1 percent of the 2005/2006 budget. The table on the left shows the major capital areas. See the Capital Plan located later in the Financial Section for a detailed list of 2005/2006 capital projects.

## **Internal Expenditure Category**

As discussed in the historical expenditure analysis, internal expenditures occur when funds are transferred between Clark County entities (transfers) or when one department "buys" internal services from another (inter-fund services). Cash is not expended in these transfers but it is moved between County departments. The two internal expenditure categories are inter-fund services and internal transfers. The table on the left shows the major users of internal services or transfers.

Internal charges represent 7.8 percent of the total budget. The Public Works Department is by far the largest user of internal services. Much of this service is through equipment rental charges and for internal support.

Other major internal services include parks maintenance and support services like accounting, human resources, vehicle rental and repair, and computer rental and repair. Many of these services are charged out to individual departments through an indirect cost allocation mechanism.

Internal transfers represent 11.3 percent of the total budget. These transactions reflect the movement of dollars from one County entity to another but usually do not involve a "purchase" of goods or services. This allows funds which are collected in one account to be transferred to the account from which funds can legitimately be expended. Transfers are also used to allow one County entity to subsidize or provide financial support to another entity. General Fund transfers, which provide support to individual departments outside of the General Fund, fall in this category.